

Message Text

SECRET

PAGE 01 AMMAN 00877 260823Z
ACTION SS-25

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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC IMMEDIATE 4837
AMEMBASSY JIDDA IMMEDIATE

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EXDIS

E.O. 11652: GDS
TAGS: MASS, PGOV, JO, SA, US
SUBJECT: SAUDI GUARANTEES FOR FMS LOANS

REF: A) JIDDA 0608, B) STATE 020965

1. APPRECIATE GREATLY EFFORTS MADE BY EMBASSY JIDDA AND DEPARTMENT
TO ASSIST IN RESOLUTION OF DIFFICULT PROBLEM OF SAUDI FMS
GUARANTEES.

2. JANUARY 25, I SAW PRIME MINISTER BADRAN ON QUESTION.
HE TOLD ME THAT JORDANIAN TEAM LED BY MINISTER OF FINANCE
AND INCLUDING ASSISTANT CHIEF OF STAFF FOR OPERATIONS MAJALI
AND CENTRAL BANK GOVERNOR NABULSI IS CURRENTLY IN RIYADH
(REFTEL B). TEAM WENT TO NEGOTIATE OVER OUTSTANDING MONETARY
ISSUES WHICH JORDANIANS HAVE RAISED WITH SAUDIS. FIRST PRIORITY
IS GETTING FMS FY 1976 GUARANTEE RESOLVED.

3. GENERAL MAJALI HAD REPORTED MORNING JANUARY 25 THROUGH
JORDANIAN MILITARY LINK TO RIYADH ON RESULTS FIRST DAYS MEETINGS
WITH SAUDIS. PRIME MINISTER HAD CABLE BEFORE HIM AND READ IT
FOR ME. SAUDIS ARE INSISTING THAT JORDAN MUST PAY GUARANTEED
CREDIT FOR FY 1976 IN SPITE OF LANGUAGE IN GUARANTEE STATEMENT
(REF B) CLEARLY MAKING SAMA PRIMARY OBLIGOR. SAUDIS HAVE TOLD
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JORDANIANS THAT THEY WILL PROVIDE JORDAN \$150M OVER TEN YEARS
AT RATE OF \$15M PER YEAR TO COVER
ALL SAUDI SUPPORT FOR JORDAN. JORDAN CAN DO WHAT IT WISHES
WITH THIS MONEY, INCLUDING THE PAYING OF THE FMS FUNDS FOR
WHICH SAUDIS HAVE UNDERTAKEN "GUARNATEE". IN ADDITION, JORDANIAN
REQUESTS FOR FUNDS (\$40M) TO COVER OIL PRICE INCREASES IN 1974
AND SUBSIDEIZED THROUGH 1977 BY SAUDI ARABIA, \$30M FOR

JAF PAY INCREASE, RABAT SUMMIT PAYMENTS FOR 1978, 1978 ADDITIONAL BUDGET SUPPORT (\$300M) HAVE ALL BEEN TURNED DOWN BY SAUDIS (NOT UNEXPECTEDLY). MESSAGE IN MILITARY CHANNEL WAS SHOWN TO KING AGAINST WISHES OF PRIME MINISTER. KING CALLED PRIME MINISTER WHILE I WAS IN HIS OFFICE. KING'S IMMEDIATE REACTION WAS TO WANT TO FLY TO RIYADH HIMSELF AS SOON AS POSSIBLE; PRIME MINISTER, WHO UNDERSTANDS THIS IS ONLY OPENING PHASE OF A LONG NEGOTIATION, WITH SOME DIFFICULTY DISSUADED HIM FROM DOING SO.

4. JORDANIANS ARE CONTINUING TO DO ALL THAT SAUDIS WILL PERMIT THEM TO DO (SAUDIS HAVE REFUSED TO RECEIVE GOJ PRIME MINISTER) TO WORK OUT PROBLEM AND PRIME MINISTER CONTINUES TO ASSURE ME THAT FY 1976 FMS GUARANTEE REMAINS THEIR FIRST PRIORITY. THEY ARE DEEPLY DISTURBED BY THE PROSPECT OF FORMAL DEFAULT AND KNOW WHAT THAT WOULD MEAN TO THEM ON FMS. (IF SUCH HAPPENED, I AM CERTAIN THAT THEY WOULD NOT REMAIN QUIET ABOUT THE SAUDI ROLE). JORDANIANS ARE ALSO CONCERNED ABOUT NECESSARY OIL PRICE INCREASES IN DOMESTIC ECONOMY NECESSITATED BY FAILURE TO OBTAIN SAUDI SUBSIDY FOR 1978 AND THREATEN GOING PUBLIC, WE ARE SURE TO INTIMIDATE SAUDIS, INDICATING THAT NEW FUEL PRICES IN JORDAN WILL BE LAID AT DOORSTEP OF SAUDIS AND EFFECT THE PHYSICAL SAFETY OF SAUDIS AND THE SAUDI EMBASSY HERE. JORDANIANS INSISTING THAT COMMITMENTS MADE TO THEM IN RIYADH ON ASSISTANCE HAVE ALL BEEN RECORDED BY SAUDI AMBASSADOR WHO CONFIRMS THEM FROM HIS NOTES.

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5. WE ARE INTERESTED TO SEE (REF A) THAT SAUDIS, NOT UNEXPECTEDLY, AT WORKING LEVEL ARE STILL REACTING BADLY TO \$140 M "MIS-UNDERSTANDING". EXPLANATION THAT THIS AND FAILURE TO PASS ON ANY COMMITMENTS FROM LEADERS TO BUREAUCRATS MAY BE MAJOR REASON FOR PRESENT DIFFICULTIES. WE ALSO UNDERSTAND FROM RELIABLE SOURCE THAT FOR ANTI-INFLATIONARY REASONS SAUDIS MAY HAVE DECIDED ON MASSIVE SLOW DOWN ON ALL DISBURSEMENTS AND/OR NEW COMMITMENTS WHICH MAY BE BEING USED BY BUREAUCRACY TO REINFORCE THEIR POSITION, BUT WE CANNOT CONFIRM THIS POINT.

6. WHILE UNFORTUNATE THREATS ARE NOW BEGINNING TO BECOME WATCHWORD IN JORDANIAN REACTION, WE WILL CONTINUE TO DO ALL WE CAN TO TONE THAT DOWN AND TRY TO KEEP COMMUNICATION LINES OPEN, IN THIS RESPECT REFTEL B ENORMOUSLY HELPFUL.
PICKERING

SECRET

NNN

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